

SANICHI TECHNOLOGY BERHAD

Company No.661826-K
(Incorporated In Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(The figures below are unaudited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 June 2023 RM'000	Preceding Year Corresponding Quarter 30 June 2022 RM'000	Current Year to Date 30 June 2023 RM'000	Preceding Year Corresponding Period 30 June 2022 RM'000
Revenue	4,572	3,743	10,260	8,371
Cost of sales	(4,442)	(4,379)	(9,864)	(10,242)
Gross Profit/(Loss)	130	(636)	396	(1,871)
Other income	778	73	1,851	1,111
Operating expenses	(10,085)	(2,236)	(14,111)	(4,734)
Loss from operations	(9,177)	(2,799)	(11,864)	(5,494)
Finance costs	(629)	(695)	(1,276)	(1,406)
Loss before taxation	(9,806)	(3,494)	(13,140)	(6,900)
Tax expense	(167)	(146)	(328)	(291)
Loss after tax from continuing operation	(9,973)	(3,640)	(13,468)	(7,191)
Loss from discontinued operations, net of tax	-	-	-	-
Loss for the period	(9,973)	(3,640)	(13,468)	(7,191)
Other Comprehensive Loss, net of tax				
Foreign currency translation	-	-	-	-
	-	-	-	-
Total Comprehensive Loss For The Financial Period	(9,973)	(3,640)	(13,468)	(7,191)
Loss attributable to:				
Owners of the Parent	(10,020)	(3,681)	(13,554)	(7,273)
Non-controlling interest	47	41	86	82
	(9,973)	(3,640)	(13,468)	(7,191)
Total Comprehensive Loss attributable to:				
Owners of the Parent	(10,020)	(3,681)	(13,554)	(7,273)
Non-controlling interest	47	41	86	82
	(9,973)	(3,640)	(13,468)	(7,191)
Loss per share (sen)				
Basic (note B13)	(0.71)	(0.26)	(0.97)	(0.52)
Diluted (note B13)	(0.71)	(0.26)	(0.97)	(0.52)

The condensed consolidated statement of comprehensive income should be read in conjunction with the unaudited financial statements for the financial year ended 31 December 2022 and accompanying explanatory notes attached to the interim financial statements.

SANICHI TECHNOLOGY BERHAD

Company No.661826-K
(Incorporated In Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(The figures below are unaudited)

	(Unaudited) As at 30 June 2023 RM'000	(Audited) As at 31 December 2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	37,286	37,925
Right-of-use of asset	-	74
Investment properties	34,484	34,395
Other investment	20,154	14,270
	<u>91,924</u>	<u>86,664</u>
Current assets		
Inventories	94,799	87,932
Trade and other receivables	55,401	53,050
Contract assets	-	2,592
Tax assets	530	530
Cash and cash equivalents	87,555	125,810
	<u>238,285</u>	<u>269,914</u>
TOTAL ASSETS	<u>330,209</u>	<u>356,578</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	332,886	332,886
Accumulated losses	(93,012)	(79,458)
Other reserve	9,374	9,274
Equity attributable to owners of the parent	249,248	262,702
Non-controlling interests	9,307	9,221
Total equity	<u>258,555</u>	<u>271,923</u>
Non-current liabilities		
Borrowings	30,352	31,454
Current liabilities		
Trade and other payables	24,705	37,349
Contract liabilities	1,694	-
Lease liabilities	7	72
Borrowings	5,124	5,843
Current tax liabilities	102	267
Provisions	9,670	9,670
	<u>41,302</u>	<u>53,201</u>
TOTAL LIABILITIES	<u>71,654</u>	<u>84,655</u>
TOTAL EQUITY AND LIABILITIES	<u>330,209</u>	<u>356,578</u>
Net assets per share attributable to owners of the parent (RM)	0.18	0.19

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and accompanying explanatory notes attached to the interim financial statements.)

SANICHI TECHNOLOGY BERHAD

Company No.661826-K
(Incorporated In Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(The figures below are unaudited)

	Attributable to Owners of the Parent					
	Share Capital RM'000	Translation reserve RM'000	Warrant reserve RM'000	Accumulated Losses RM'000	Non-controlling interest RM'000	Total Equity RM'000
At 1 January 2023	332,886	41	9,233	(79,458)	9,221	271,923
Loss for the financial period	-	-	-	(13,554)	86	(13,468)
Foreign currency translation	-	100	-	-	-	100
At 31 June 2023 (unaudited)	332,886	141	9,233	(93,012)	9,307	258,555
At 1 January 2022	332,886	(29)	9,233	(55,948)	9,156	295,298
Loss for the financial year	-	-	-	(23,510)	65	(23,445)
Foreign currency translation	-	70	-	-	-	70
At 31 December 2022 (audited)	332,886	41	9,233	(79,458)	9,221	271,923

SANICHI TECHNOLOGY BERHAD

Company No.661826-K
(Incorporated In Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**

(The figures below are unaudited)

	Current Year to 30 June 2023 RM'000	Preceding Year Corresponding Period to 30 June 2022 RM'000
Cash flows from operating activities		
Loss before tax	(13,140)	(6,900)
Adjustments for:-		
Non-cash items	7,651	5,089
Non operating items	505	16
Operating loss before working capital changes	(4,984)	(1,795)
Changes in working capital:		
Net changes in current assets	(6,325)	(42,885)
Net changes in current liabilities	(11,014)	27,933
Cash used in operations	(22,323)	(16,747)
Interest received	769	1,390
Tax paid	(293)	(291)
Net cash used in operating activities	(21,847)	(15,648)
Cash flows from investing activities		
Proceeds from disposal of quoted shares	14,886	1,623
Purchase of plant and equipment	(974)	(515)
Purchase of right of use assets	(16)	-
Purchase of other investment	(29,992)	(556)
Purchase of investment property	(458)	-
Decreased/(Increase) in fixed deposit	43,169	(126,174)
Decreased in investment unit trust	3,406	-
Net cash generated from/(used in) investing activities	30,021	(125,622)
Cash flows from financing activities		
Interest paid	(1,274)	(1,406)
Repayment of lease liabilities	(65)	-
Repayment of borrowings	(1,821)	(1,944)
Net cash used in financing activities	(3,160)	(3,350)
Effects of changes in exchange rates	(100)	(6)
Net increase/(decrease) in cash and cash equivalents	4,914	(144,626)
Cash and cash equivalents at beginning of the period	9,268	154,230
Cash and cash equivalents at end of the period	14,182	9,604
Cash and cash equivalents comprise:		
Fixed deposits with licensed bank	1,500	3,000
Fixed deposits with cooperative	73,373	126,174
Cash and bank balances**	12,682	6,604
Less: Fixed deposit with a maturity period more than 3 months	(73,373)	(126,174)
	14,182	9,604

** Cash and bank balances include amounts held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and accompanying explanatory notes attached to the interim financial statements.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023

A. EXPLANATORY NOTES IN ACCORDANCE WITH FRS 134

A1. Basis of Preparation

The unaudited condensed interim financial statements for the quarter ended 30 June 2023 have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) No. 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE Market (“ACE Listing Requirements”). The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of Sanichi Technology Berhad (“Sanichi” or “Company”) and its subsidiaries (collectively known as “Sanichi Group” or “Group”) for the financial year ended (“FYE”) 31 December 2022.

The significant accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2022, except in the current financial year, the Group has adopted all the new and revised standards which are effective for the financial year beginning 1 January 2023. The adoption of these standards did not have any effect on the financial performance or position of the Group and of the Company.

A2. Seasonality or Cyclicity Factors

The Group’s operations for the current quarter under review were not significantly affected by any seasonal or cyclical factors.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

During the quarter, there were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence.

A4. Material Change in Estimates

There were no materials changes in estimates of amounts reported in prior financial years that have a material effect on the results for the quarter under review.

A5. Issuances, Repurchases and Repayments of Debt and Equity Securities

During the quarter, there were no issuances, repurchases and repayments of debt and equity securities except for disclosed in Note B7.

A6. Dividend Paid

There were no dividends declared or paid during the current financial quarter under review.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023

A7. Segmental Information

The Group's reportable segments comprise of precision mould, property development, investment holding and other (represented an entity which yet to commence operation). The precision mould business is geographically located in Malaysia and Thailand. The property development business and investment holding is geographically located in Malaysia only.

For each reportable segment, the Group's chief operating decision makers which is the Board of Directors of the Company, reviews internal management reports on quarterly basis.

The Group	Precision Mould	Property Development	Investment Holding	Others/ Elimination	Consolidated
30 June 2023	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External sales	2,215	7,429	616	-	10,260
Inter segment sales	-	-	65	(65)	-
Total revenue	<u>2,215</u>	<u>7,429</u>	<u>681</u>	<u>(65)</u>	<u>10,260</u>
Results					
Loss from operations	(4,253)	1,025	(10,452)	(35)	(13,715)
Finance cost	(158)	(7)	(1,111)	-	(1,276)
Other income	463	80	1,007	301	1,851
Loss before tax					<u>(13,140)</u>
Income tax					<u>(328)</u>
Net loss for the year					<u>(13,468)</u>

The Group	Precision Mould	Property Development	Investment Holding	Others/ Elimination	Consolidated
30 June 2022	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External sales	7,751	-	620	-	8,371
Inter segment sales	-	-	-	-	-
Total revenue	<u>7,751</u>	<u>-</u>	<u>620</u>	<u>-</u>	<u>8,371</u>
Results					
Loss from operations	(3,750)	(1,127)	(1,715)	(13)	(6,605)
Finance cost	(167)	-	(1,239)	-	(1,406)
Other income	196	8	698	209	1,111
Loss before tax					<u>(6,900)</u>
Income tax					<u>(291)</u>
Net loss for the year					<u>(7,191)</u>

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023

A8. Material Events Subsequent to the End of the Quarter under Review

There were no material events subsequent to the end of the quarter under review except for those disclosed in note B7.

A9. Changes in the Composition of the Group

During the quarter under review, there were no significant changes in the composition of the Group.

A10. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date up to the date of this report.

A11. Capital Commitments

There were no material capital commitments in respect of property, plant and equipment as at the end of the current quarter under review.

A12. Significant Related Parties Transactions

During the current financial quarter, the Directors are of the opinion that the Group has no related party transactions which would have a significant impact on the financial position and business of the Group.

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SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023

B. ADDITIONAL INFORMATION REQUIRED BY ACE LISTING REQUIREMENTS (APPENDIX 9B)

B1. Review of Group's Results for the Current Quarter and Year-to-Date Ended 30 June 2023

	Individual period (period ended 30 June 2023)			Cumulative period		
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes (in Amount)	Current Year-to-date	Preceding Year Corresponding Period	Changes (in Amount)
	30 June 2023	30 June 2022		30 June 2023	30 June 2022	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	4,572	3,743	829	10,260	8,371	1,889
Operating loss	(9,955)	(2,872)	(7,083)	(13,715)	(6,605)	(7,110)
Loss before interest and tax	(9,177)	(2,799)	(6,378)	(11,864)	(5,494)	(6,370)
Loss before tax	(9,806)	(3,494)	(6,312)	(13,140)	(6,900)	(6,240)
Loss after tax	(9,973)	(3,640)	(6,333)	(13,468)	(7,191)	(6,277)
Loss attributable to ordinary equity holders of the parent	(10,020)	(3,681)	(6,339)	(13,554)	(7,273)	(6,281)

The Group recorded a revenue of RM4.57 million for the quarter ended 30 June 2023. The Group's loss before tax ("LBT") and loss after tax ("LAT") for the quarter were RM9.81 million and RM9.97 million for the period respectively.

The Group recorded a revenue of RM3.74 million for the immediate preceding quarter at 30 June 2022. The Group recorded LBT and LAT of RM3.49 million and RM3.64 million respectively for the immediate preceding quarter at 30 June 2022.

The result shows increase in revenue reflected contribution from recognition of revenue from property development segments as compared to immediate preceding year to date as at 30 June 2023. Other segments having downturn in revenue and mainly cause by the lower order from precision mould decrease. The increase in loss before tax as at 30 June 2023 as compared to immediate preceding quarter ended 30 June 2022 mainly due to fair value recognition on quoted share.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023

B2. Variation of Results for the Current Quarter Ended 30 June 2023 against Immediate Preceding Quarter

	Current Quarter 30/06/2023 RM'000	Preceding Quarter 31/03/2023 RM'000	Variance RM'000
Revenue	4,572	5,688	(1,116)
Operating Loss	(9,955)	(3,760)	(6,195)
Loss before Interest and tax	(9,177)	(2,687)	(6,490)
Loss before tax	(9,806)	(3,334)	(6,472)
Loss after tax	(9,973)	(3,495)	(6,478)
Loss attributable to ordinary equity holders of the parent holders of the parent	(10,020)	(3,534)	(6,486)

The Group recorded the decrease of approximately 19.62% in its revenue to RM4.57 million for the quarter ended 30 June 2023 against RM5.69 million for the immediate preceding quarter ended 31 March 2023. The Group registered LBT and LAT of RM9.81 million and RM9.97 million respectively for the current quarter ended 30 June 2023, as compared to LBT and LAT of RM3.33 million and RM3.50 million respectively in the immediate preceding quarter ended 31 March 2023.

The reason for the Group's lower revenue for the current quarter was mainly due to slow recovery of tooling job completion recorded within the quarter ended 30 June 2023 as compared to preceding quarter 31 March 2023.

B3. Group's Prospects for FYE 31 December 2023

Barring any unforeseen circumstances, the Board expects the Group's performance to be challenging for the financial year ending 31 December 2023. Volatility of foreign exchange rates will continue to affect the Group's tooling business as a significant percentage of its revenue is derived from overseas markets. In transitioning to the endemic phase of Covid-19, all the economic sectors and international border are slowly re-opening. This would allow the resumption of business activities. The uncertainty caused the overall market in a downtrend which has an adverse impact that trigger the adjustment of fair value for Sanichi's financial assets. However, the completion of several share issuances in the previous year and the expected completion of property development in Marina Point Melaka would strengthen the financial health of the Group. The Group would cautiously observe the market and explore every business opportunities despite in this uncertain market.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023

B4. Variance of Profit Forecast

The Group did not publish any profit forecast for the period/year under review.

B5. Tax Expenses

Taxation comprises the following:-

	Individual quarter ended		Cumulative quarter ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
In respect of the current year:-				
Current taxation	(167)	(146)	(328)	(291)
	<u>(167)</u>	<u>(146)</u>	<u>(328)</u>	<u>(291)</u>
In respect of the previous year:-				
Taxation	-	-	-	-
Net tax credit	<u>(167)</u>	<u>(146)</u>	<u>(328)</u>	<u>(291)</u>

B6. Profits / (Losses) on Sale of Unquoted Investments and Properties

There was no disposal of unquoted investments and properties during the quarter under review and financial year-to-date.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023

B7. Status of Corporate Proposals

There were no corporate proposal announced but not completed as at the date of this report except for:-

- 1.) On 17 July 2020, the Company announced that the Company had entered into a Collaboration Agreement (“the Agreement”) with PDZ Holdings Bhd (“PDZ”) (individually and collectively known as “Party” or “the Parties”) to jointly develop and operate a regional e-Commerce logistics hub located in Desaru, Kota Tinggi, Johor which will eventuate to the forming of Special Purpose Vehicle (“SPV”). Please refer to announcement dated 17 July 2020 and 30 October 2020 for further details. There were no major developments after the agreement signed.
- 2.) On 11 December 2018, the Company announced that the Company had entered into a Memorandum of Understanding (“MOU”) with FKS Holdings Pte. Ltd. (“FKS”) (Company No. 201502196H), a company incorporated in Singapore. On 14 December 2018, the Company informed that the Parties agree to enter into an agreement within 6 months from the date of the MOU or such other extended period as may be agreed by the Parties. Please refer to announcement for further details. There were no major developments after the MOU signed.

Status of utilization of proceeds raised from corporate proposals

a) Rights Issue with Warrants

The utilization of proceeds of RM96.21 million from the Rights Issue with Warrants of 1,202,623,503 new ordinary share of RM0.08 each with 601,311,751 Warrants F of RM0.10 each and 63,302,561 additional Warrants E.

Purpose	Proposed Utilisation	Actual Utilisation as at 18/08/2023	Intended Timeframe for Utilisation	Balance Unutilised	
	RM'000	RM'000		RM'000	%
Acquisition of factory building for the Gloves Business	38,000	-	Within six (6) months	38,000	100
Capital expenditure for the Gloves Business	41,500	15,000	Within twelve (12) months	26,500	63.86
Working capital	16,050	4,815	Within twelve (12) months	11,235	70.00
Estimated expenses for the corporate exercise	660	660	Immediate	-	-
	96,210	20,475		75,735	78.72

There was no deviation between the approved utilization amount and actual utilized amount.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023

b) Rights Issue with Warrants

The utilization of the proceeds of RM73.87 million have been partially utilised in the following manner as at 18 August 2022 from the Rights Issue with Warrants of 738,658,516 new ordinary shares of RM0.10 each with free 369,329,241 Warrants E, 13,541,530 Warrants C and 31,792,008 Warrants D.

Purpose	Proposed Utilisation	Actual Utilisation as at 18/08/2023	Intended Timeframe for Utilisation	Balance Unutilised	
	RM'000	RM'000		RM'000	%
Property development activities	60,000	50,000	Within thirty-six (36) months	10,000	16.67
Working capital	12,946	12,946	Up to twelve (12) months	-	-
Estimated expenses for the corporate exercise	920	920	Immediate	-	-
	73,866	63,866		10,000	13.54

There was no deviation between the approved utilization amount and actual utilized amount.

c) Private placement

The utilization of the proceeds of RM23.22 million have been partially utilised in the following manner as at 18 August 2022 from the Private Placement of 200,000,000 new ordinary shares of RM0.0526 each, 100,000,000 new ordinary shares of RM0.0602 each and 113,938,600 new ordinary shares of RM0.0586 each.

The gross proceeds raised from the private placement amounting RM23.22 million have been fully utilized in the following manner as at 30 June 2023.

Purpose	Proposed Utilisation	Actual Utilisation as at 30/06/2023	Intended Timeframe for Utilisation	Balance Unutilised	
	RM'000	RM'000		RM'000	%
Development of Marina Point Project	22,866	22,866	Within eighteen (18) months	-	-
Estimated expenses for the corporate exercise	351	351	Immediate	-	-
	23,217	23,217		-	-

There was no deviation between the approved utilization amount and actual utilized amount.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023

B8. Group Borrowings and Debt Securities

The Group's borrowings, all repayable in Ringgit Malaysia and secured, as at the end of the quarter under review are as follows:

	RM'000
<u>Short Term Borrowings</u>	
Bank Overdraft	2,912
Finance Lease Payables	80
Lease Liabilities	7
Term Loans	2,132
	<hr/>
	5,131
<u>Long Term Borrowings</u>	
Term Loans	30,352
	<hr/>
	30,352
	<hr/>
Total	35,483

The Group does not have any foreign borrowings and debt securities as at the date of this report.

B9. Trade Receivables

The Group's normal trade credit terms granted to trade receivables ranged from 1 month to 2 months (2022: 1 month to 2 months). Other credit terms are assessed and approved on a case by case basis. There are no trade receivables from related parties.

	As at quarter ended 30 June 2023				
	Current	1 – 3 months	3 – 5 months	More than 6 months	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Precision mould division	255	397	31	896	1,579
Property development division	-	-	-	20,563	20,563
Investment holding division	4	11	-	-	15
Total	259	408	31	21,459	22,157

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023

B10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

B11. Material Litigation

There was no material litigation involving the Group as at the date of this report.

B12. Dividend Proposed

No dividend was declared and recommended for payment during the quarter under review.

B13. Loss Per Share (“LPS”)

Basic and Diluted Loss Per Share

	Current quarter ended		Cumulative quarter ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Loss attributable to owners of the Company (RM'000)	(10,020)	(3,681)	(13,554)	(7,273)
Weighted average number of shares in issue ('000)	1,403,096	1,403,096	1,403,096	1,403,096
Basic ⁽¹⁾ / Diluted ⁽²⁾ LPS (sen)	(0.71)	(0.26)	(0.97)	(0.26)

Notes:

- (1) Basic LPS is calculated by dividing the loss attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.
- (2) Diluted LPS of the Company for the current quarter and cumulative quarter is equivalent to the basic LPS as the effect on the assumed exercise of the share options under warrants is anti-dilutive.

SANICHI TECHNOLOGY BERHAD

Company No. 661826-K
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023

B14. Financial Instruments

(a) Derivatives

There were no outstanding derivatives as at 30 June 2023.

(b) Gain/(Loss) arising from fair value changes in financial liabilities

There were no gain/(loss) arising from fair value changes in financial liabilities during the current quarter and period to date.

B15. Comprehensive Expenses Disclosure

	Current quarter ended		Cumulative quarter ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Interest income	746	803	769	1,390
Other income (excluded interest income)	351	105	427	228
Interest expense	(627)	(694)	(1,274)	(1,406)
Depreciation and amortization	(1,023)	(592)	(2,083)	(1,683)
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain and loss on disposal of quoted share/investment or properties	(7,983)	(804)	(8,190)	(473)
Foreign exchange (gain)/loss	(111)	(30)	(65)	(33)
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-

B16. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Company and its subsidiaries for the FYE 31 December 2022 were not subject to any qualification.